

Message Text

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ACTION EB-07

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 2695

INFO AMEMBASSY BONN

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E.O. 11652: NA

TAGS: EAIR, IS

SUBJECT: POSSIBLE NEW AIR FREIGHT COMPETITOR TO EL AL

1. FORMER ISRAELI AIR FORCE CHIEF MORDECHAI HOD IS THE MOVING FORCE BEHIND A NEW AIR FREIGHT COMPANY, CARGO AIR LINES (CAL), WHICH MAY BEGIN SERVICE AS EARLY AS THIS OCTOBER. CAL AIMS TO CARRY AGRICULTURAL PRODUCE OUT OF ISRAEL AS WELL AS GENERAL CARGO INTO THE COUNTRY. THE MINISTRY OF TRANSPORTATION, TRADITIONALLY PARTISAN TO THE NATIONAL CARRIER, EL AL, GRUDGINGLY GAVE ITS APPROVAL FOR THE ESTABLISHMENT OF CAL AS A RESULT OF HOD'S VIGOROUS EFFORTS.

2. EL AL ATTEMPTED TO BLOCK THE CREATION OF CAL IN ORDER TO PRESERVE ITS NEAR MONOPOLY OF AIR FREIGHT SHIPMENTS TO AND FROM ISRAEL. HOD, FOR HIS PART, HAD ACCUSED EL AL OF MAINTAINING ARTIFICIALLY HIGH FREIGHT CHARGES AND PROMISED TO UNDERCUT THEIR RATES SUBSTANTIALLY. THE THREAT OF COMPETITION LED EL AL TO PUBLICIZE A WILLINGNESS TO LOWER ITS RATES. BECAUSE OF EL AL'S MEMBERSHIP IN THE IATA, HOWEVER, IT IS QUESTIONABLE WHETHER IT WILL IN FACT DO SO.

3. AT THIS POINT, THE OWNERSHIP OF CAL IS FAR FROM CLEAR. IN FACT, OUTSIDE OF HOD AS GENERAL MANAGER AND CAL'S TIES WITH AGREXCO, ISRAEL'S AGRICULTURAL MARKETING COOPERATIVE, LITTLE IS KNOWN ABOUT THE COMPANY. CAL HOPES TO LEASE TWO JUMBO JETS FOR ITS OPERATIONS--ONE FROM EL AL AND ANOTHER

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FROM AN AMERICAN AIRLINE (EL AL'S WILLINGNESS TO SUPPLY

AN AIRCRAFT IS OPEN TO QUESTION). CAL HAS UP TO NOW
RECEIVED LANDING RIGHTS ONLY AT KOLN-BONN AIRPORT.

4. THE PRESS REPORTS THAT AGREXCO WILL SIGN AN AGREEMENT
WITH CAL FOR THE SHIPMENT OF PRODUCE DURING THE COMING
WINTER SEASON, AND A CAL SPOKESMAN HAS ALLEGED THAT HIS
COMPANY HAS ALREADY SIGNED SEVERAL CONTRACTS FOR ISRAEL-
BOUND CARGOES. WITH HOD AS ITS OPERATIONAL CHIEF AND
AGREXCO AS MAIN FINANCIAL BACKER AND BUSINESS ADVISOR,
CAL COULD TAKE FORM AND CONTRIBUTE TO MAKING ISRAELI
AGRICULTURAL GOODS MORE COMPETITIVE IN THE EUROPEAN MARKET.
BUT DETAILS OF CAL'S OPERATIONS, BACKERS, AND ASSETS, REMAIN
UNKNOWN, AND IT IS STILL TOO EARLY TO TELL WHETHER CAL
WILL GET OFF THE GROUND.
TOON

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